Date: September, 2004

Guidelines For Estimating

Feedlot Finishing Costs

For Weight Range of 650 - 1400 lbs.
Based on feeding 500 Steers

Livestock values in this document may be subject to change as the market responds to the BSE situation. However, it is important to base your decisions not only on market information, but also on the cost of production for your particular operation.

Cattle feeding is a high risk business requiring large amounts of short term capital to buy feeder cattle and feed. With cyclical price variations for both livestock and feed, successful management invloves careful consideration of costs, projection of markets and sound judgement.

The following budget is an estimate of the costs of production encountered in finishing beef cattle in a farm feedlot situation. The purpose of this budget is to assist Manitoba livestock producers to calculate their own cost of production and take into consideration the factors that should be included when budgeting to determine breakeven prices.

Disclaimer: This budget is only a guide and is not intended as an in depth study of the cost of production of the Manitoba cattle industry. Interpretation and utilization of this information is the responsibility of the user. If you require assistance with developing your individual budget, please contact your local MAFRI Farm Management Specialist or Livestock Specialist.

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Feedlot Finishing Cost Summary, September, 2004

	Cost/Head	Total Cost	Your Cost
A. Operating Costs			
1. Feed Costs			
1.01 Rolled Barley	$197.53	$98,765	
1.02 Barley Silage	$35.94	$17,970	
1.03 Grass Hay	$1.88	$940	
1.04 Supplement	$22.79	$11,395	
Total Feed Costs	**$258.14**	**$129,070**	
2. Other Operating Costs			
2.01 Feeder Cost	$567.13	$283,565	
2.02 Straw	$9.00	$4,500	
2.03 Veterinary Medicine & Supplies	$19.96	$9,980	
2.04 Annual Fuel & Repair Costs	$7.60	$3,800	
2.05 Utilities	$6.00	$3,000	
2.06 Marketing & Transportation	$56.54	$28,270	
2.07 Insurance	$5.47	$2,735	
2.08 Manure Removal	$7.40	$3,700	
2.09 Barn & Office Supplies	$0.40	$200	
2.10 Death Loss	$7.24	$3,621	
Subtotal Operating Costs	$944.88	$472,441	
2.11 Operating Interest	$30.92	$15,460	
Total Operating Costs	**$975.80**	**$487,901**	
B. Fixed Costs			
3. Depreciation			
3.01 Buildings	$5.55	$2,775	
3.02 Machinery & Equipment	$12.00	$6,000	
4. Investment			
4.01 Buildings	$2.04	$1,020	
4.02 Machinery & Equipment	$2.70	$1,350	
Total Fixed Costs	**$22.29**	**$11,145**	
Total Operating and Fixed Costs	**$998.09**	**$499,046**	
C. Labour	$20.00	$10,000	
TOTAL COST OF PRODUCTION	**$1,018.09**	**$509,046**	

Cost per lb of gain sold	**$/cwt**	
Feed Costs	$37.96	
Operating Costs	$62.25	
Operating & Fixed Costs	$65.53	
Total Costs	$68.47	
Breakeven Selling Price		
Operating Costs	$73.37	
Operating & Fixed Costs	$75.04	
Total Costs	$76.55	
Breakeven Purchase Price (based on $75/cwt market price)		
Operating Costs	$88.34	
Operating & Fixed Costs	$84.91	
Total Costs	$81.83	

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Assumptions

1. Average daily gain (ADG) was assumed to be 3 lbs/day.
2. It was assumed that the feeder steer weighed in at 650 lbs., and finished at 1400 lbs (1330 lbs after a 5% shrink.)
3. Days on feed was 250. Hay was fed for 15 days.
4. Investment in feedlot facilities and equipment was assumed to handle 500 head.

Feedlot Finishing Production Cost Worksheet

A. Operating Costs				Your Cost
1. Feed Costs				
1.01 Rolled Barley				
		250.00	days on grain	
	x	18.50	lbs/feeder/day	
	÷	48.00	lbs/bushel	
	x	$2.05	/bushel	
	=	**$197.53**	**/feeder**	
1.02 Barley Silage				
		250.00	days on silage	
	x	12.50	lbs/feeder/day	
	÷	2,000.00	lbs/ton	
	x	$23.00	/ton	
	=	**$35.94**	**/feeder**	
1.03 Grass Hay				
		15.00	days on hay	
	x	5.00	lbs/feeder/day	
	÷	2,000.00	lbs/ton	
	x	$50.00	/ton	
	=	**$1.88**	**/feeder**	
1.04 Supplement (Salt, Vitamins, Minerals, Ionophore)				
		250.00	days on supplement	
	x	0.60	lbs/feeder/day	
	÷	2,205.00	lbs/tonne	
	x	$335.00	/tonne	
	=	**$22.79**	**/feeder**	

2. Other Operating Costs

2.01 Feeder Cattle Cost

Buying Commission

	$6.50	/feeder	

Trucking-in

	$1.25	/cwt	
x	650.00	lbs/feeder	
÷	100.00	lbs/cwt	
=	$8.13	/feeder	
	650.00	lbs/feeder	
x	$85.00	/cwt	
÷	100.00	lbs/cwt	
=	$552.50	/feeder	
Total =	**$567.13**	**/feeder**	

2.02 Straw

	0.50	tons/feeder/year	
x	$18.00	/ton	
=	**$9.00**	**/feeder**	

2.03 Veterinary Medicine & Supplies

Cattle Medication

	$2.50	IBR,PI3,BVD,BRSV & Pasteurella	
+	$0.64	Vitamin A,D & E	
+	$3.80	External & Internal Parasites	
+	$2.50	Blackleg & Haemphilus	
+	$3.20	Implant	
+	$6.00	Antibiotics	
=	$18.64	/feeder	

Professional Services

	$135.00	/hour charge	
x	2.50	hours	
÷	500.00	feeder cattle	
=	$0.68	/feeder	

Transportation Costs

	$1.00	/km charge	
x	80.00	kilometres	
x	4.00	visits	
÷	500.00	feeder cattle	
=	$0.64	/feeder	
Total =	**$19.96**	**/feeder**	

2.04 Annual Fuel & Repair Costs

	$1,400	repairs	
+	$2,400	fuel costs	
÷	500.00	feeder cattle	
=	**$7.60**	**/feeder**	

2.05 Utilities

	$3,000	/year	
÷	500.00	feeder cattle	
=	**$6.00**	**/feeder**	

2.06 Marketing & Transportation

Trucking	700.00	miles	
x	$3.15	/loaded mile	
÷	39.00	head/load	
=	$56.54	/feeder	
Other Cost +	$0.00	/feeder	
Total =	**$56.54**	**/feeder**	

2.07 Insurance

	$136,707	building & equipment investment	
x	$0.50	/$100 capital	
÷	100.00	/$100 capital	
÷	500.00	feeder cattle	
=	$1.37	/feeder/year	
	$400,625	feeder investment	
x	$0.50	/$100 capital	
÷	100.00	/$100	
÷	500.00	feeder cattle	
=	$4.01	/feeder/year	

	$45.00	liability premium	
÷	500.00	feeder cattle	
=	$0.09	/feeder/year	
Total =	**$5.47**	**/feeder**	

2.08 Manure Removal

$3,700	annual removal cost	
÷ 500.00	feeder cattle	
= **$7.40**	**/feeder**	

2.09 Barn & Office Supplies

$200.00	total barn expenses	
÷ 500.00	feeder cattle	
= **$0.40**	**/feeder**	

2.10 Death Loss

$567.13	feeder cattle cost	
+ $937.64	maximum value	
- $56.54	marketing costs	
÷ 2.00	average value	
x 1.00	% mortality rate	
= **$7.24**	**/feeder**	

2.11 Operating Interest

$567.13	feeder cost	
+ $185.26	½ of feed & other costs	
x 6.00	% operating interest	
x 250.00	days on feed	
÷ 365.00	365 days	
= **$30.92**	**/feeder**	

Capital Costs

Buildings,Corrals & Water System		
Windbreak fence	$4,900	
Pens	$3,027	
Handling Facilities	$4,000	
Waterers	$4,000	
Gates	$1,280	
Bunk Feeders	$23,000	
Well & Pressure System	$3,500	
Grain Bin	$3,000	
Landscaping	$15,000	
Total	**$61,707**	
Machinery & Equipment		
Tractor & Loader	$50,000	
Miscellaneous	$25,000	
Total	**$75,000**	
Total Investment	**$136,707**	

B. Fixed Costs

3. Depreciation $\frac{\text{Original Cost - Salvage Value}}{\text{Useful Life}}$

3.01 Buildings

	$61,707	original cost	
-	$6,171	salvage value	
÷	20.00	years useful life	
÷	500.00	feeder cattle	
=	**$5.55**	**/feeder**	

3.02 Machinery & Equipment

	$75,000	original cost	
-	$15,000	salvage value	
÷	10.00	years useful life	
÷	500.00	feeder cattle	
=	**$12.00**	**/feeder**	

4. Investment **Original Cost + Salvage Value x Investment Rate**
2

4.01 Buildings

	$61,707	original cost	
+	$6,171	salvage value	
÷	2.00	average	
x	3.00	% investment rate	
÷	500.00	feeder cattle	
=	**$2.04**	**/feeder**	

4.02 Machinery & Equipment

	$75,000	original cost	
+	$15,000	salvage value	
÷	2.00	average	
x	3.00	% investment rate	
÷	500.00	feeder cattle	
=	**$2.70**	**/feeder**	

C. Labour

	2.00	hours/feeder/year	
x	$10.00	/hour	
=	**$20.00**	**/feeder**	

Breakeven Calculations

				Your Farm
Cost per lb of gain sold				
Feed Costs		$258.14	feed cost	
	÷	680.00	weight gain	
	=	**$0.38**	**/lb**	
Operating Costs		$975.80	operating costs	
	-	$552.50	feeder cost	
	÷	680.00	weight gain	
	=	**$0.62**	**/lb**	
Total Operating & Fixed		$998.09	operating & fixed	
	-	$552.50	feeder cost	
	÷	680.00	weight gain	
	=	**$0.66**	**/lb**	
Total Costs		$1,018.09	total	
	-	$552.50	feeder cost	
	÷	680.00	weight gain	
	=	**$0.68**	**/lb**	
Breakeven selling price				
Operating Costs		$975.80	operating costs	
	÷	1,330.00	lbs shrunk weight	
	=	**$0.73**	**/lb**	
Operating & Fixed		$998.09	operating & fixedcosts	
	÷	1,330.00	lbs shrunk weight	
	=	**$0.75**	**/lb**	
Total Costs		$1,018.09	total costs	
	÷	1,330.00	lbs shrunk weight	
	=	**$0.77**	**/lb**	
Breakeven purchase price				
Operating Costs		1,330.00	lbs shrunk weight	
	x	$75.00	$/cwt selling price	
	=	$997.50	income	
	-	$423.30	operating less feeder cost	
	÷	650.00	lbs purchase net weight	
	=	**$0.88**	**/lb**	

Operating & Fixed		1,330.00	lbs shrunk weight	
	x	$75.00	$/cwt selling price	
	=	$997.50	income	
	-	$445.59	op & fixed less feeder cost	
	÷	650.00	lbs purchase weight	
	=	**$0.85**	**/lb**	
Total Costs		1,330.00	lbs shrunk weight	
	x	$75.00	$/cwt selling price	
	=	$997.50	income	
	-	$465.59	total less feeder cost	
	÷	650.00	lbs purchase weight	
	=	**$0.82**	**/lb**	

For more information contact your local MAFRI Office.

Prepared by:

Peter Blawat
Farm Management

Ian McCartney
Farm Management

Bob Gwyer
Farm Management

Michael Buchen
Feedlot Specialist

John Popp
Livestock Specialist

Lyle McNichol
Livestock Specialist

Dennis Hodgson
Farm Management

Melinda German
Cow Calf Specialist

Keith Kyle
Farm Management

Beef Finishing Feedlot 500 Head